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T.R.A. DOCKET ROOM

March 16, 2004

VIA OVERNIGHT DELIVERY

Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Motion Telecom, Inc.

04-00091

In re: Pending Ownership Change of Motion's Parent Company

Dear Docket Clerk:

Attached are an original and three copies of Motion's petition for approval and request for expedited treatment of approval of transfer of control, verification, and service certificate. I have enclosed an additional copy of the petition and a self-addressed stamped envelope for the return of a stamped copy to my attention.

Motion is respectfully requesting acknowledgement and approval of this petition on an expedited basis. In the event you have questions, please feel free to contact me at [jmann@awipcs.com](mailto:jmann@awipcs.com) or at (303) 643-6627.

Best regards,

Joelyn Mann  
Corporate Regulatory & Compliance Manager  
Motion Telecom, Inc

Enclosures

Corporate Headquarters

7101 South Fulton Street, Suite 200, Centennial, Colorado 80112 tel (303) 784-5300 fax (303) 784-5345

[www.advantagewireless.com](http://www.advantagewireless.com)

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE TENNESSEE**

**IN THE MATTER OF THE JOINT )  
APPLICATION OF ADVANTAGE )  
ADVISORY SERVICE, INC., )  
WIRELESS CHANNELS, INC. )  
AND MOTION TELECOM, INC. )  
FOR CONSENT TO THE )  
TRANSFER OF CONTROL )  
OF MOTION TELECOM, INC. )**

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**Docket No. \_\_\_\_\_  
Company ID No. 128847**

**EXPEDITED ACTION REQUESTED**

**APPLICATION**

Pursuant to the applicable Statutes of this State and the Authority's Rules and Regulations currently in effect and/or subsequently enacted, Motion Telecom, Inc., a Colorado corporation ("Motion"), Advantage Advisory Service, Inc., d/b/a Advantage Wireless, a Tennessee corporation in good standing ("Advantage") and Wireless Channels, Inc., a Delaware corporation in good standing ("Wireless") hereby respectfully request any necessary authority from this Authority for the transfer of control of Motion in a transaction where the Class A Common shareholders of its affiliate/parent, Advantage, will sell their shares (constituting 75.72% of the outstanding shares of Advantage) to Wireless. The remaining 24.28% of Advantage shall be owned by Advantage Advisory Service, Inc. Employee Stock Ownership Plan and Trust (the "ESOP") until on or about January 1, 2005 when the ESOP will be terminated and its shares shall be returned to Advantage. In support of this Application, Motion, Advantage and Wireless state the following:

**I. THE PARTIES:**

Motion is a corporation organized under the laws of the state of Colorado, with its principal offices located at 7101 South Fulton Street, Suite 200, Centennial, Colorado 80112. Motion was granted its approval to resell interexchange toll telecommunications services to residential and small business customers in the State in the Authority's Order granting a certificate of public convenience and necessity on or about September 22, 2003. Motion is authorized to do business in 48 states and has approximately 79 long distance customers in the state of Tennessee. Motion is authorized to do business in the State of Tennessee. Advantage is

a corporation organized under the laws of the state of California, with its principal offices located at 7101 South Fulton Street, Suite 200, Centennial, Colorado 80112 and is an operating company in the wireless distribution business, as well as a holding company, and holds no certificates of authority. Wireless is a corporation organized under the laws of the state of Delaware, with its principal offices located at 11495 Redwood Ave., Boulder, CO 80304, and is a holding company which holds no certificates of authority. A certified copy of its Certificate of Incorporation is attached hereto as Exhibit A.

## **II. CHANGE OF CONTROL OF STOCK OF AFFILIATE/PARENT:**

This filing is not an application for transfer of operating authority and does not involve any transfer of customers. Instead, the Application seeks consent to the change in ultimate control of Motion by virtue of a stock transaction at the parent level. Advantage owns 100% of the outstanding stock of Motion. Until consummation of the Control Proposal, Victor and Anamaria Mitchell Family Partnership, a California limited partnership ("Mitchell") has been the controlling shareholder of Advantage with approximately 67% of the shares of Advantage. The remaining shareholders consist of approximately 4.3% held by two other officers of Advantage (Sue Spurr (3.7%) and Mark Gritz (.6%)), and the remaining shares (approximately 28.7%) have been held by the ESOP.

Wireless has entered into a Stock Purchase Agreement with the shareholders of Advantage. In connection with this transaction, Ben Joseph, the President of Wireless, will become Chairman of the Board of Directors and Chief Executive Officer of both Advantage and Motion, and Victor Mitchell will resign. (See attached Exhibit B, Resume of Ben Joseph). The shareholders of Wireless, and their percentage ownership of the outstanding shares of Wireless are set forth in Exhibit C hereto. This transaction is referred to herein as the "Control Proposal."

The services of Motion are: resale long-distance intrastate, interstate and international telephone services, including direct dial, switched outbound toll free service, switched access, dedicated outbound toll free service, calling cards, toll free miscellaneous, vanity numbers and directory assistance listing and account code service (the "Services")

The change of control related to the Control Proposal:

- (1) Will have no impact on the ratepayers, and the tariff will not be revised.
- (2) Will not adversely impact competition; neither Wireless, the ESOP nor their respective affiliates is a public utility and have no controlling interest in any other public utility

offering the Services. Motion is a small business with approximately 79 subscribers in Tennessee.

In considering the criteria to be used by the Authority in granting its approval of this Control Proposal, Motion, Advantage and Wireless assert that the approval of the Control Proposal:

(1) Will maintain or improve the financial condition of Motion doing business in the state in that Motion is generating positive cash flow and requires no support from Advantage or Wireless to support its own going business or the Services to the Tennessee ratepayers. (See a copy of the balance sheet and income statements of Advantage and Motion on a consolidated basis for the year ended December 31, 2003 as well as on a pro-forma basis assuming the Control Proposal closes on or about March 10, 2004 hereto as Exhibit D and D-1, respectively).

(2) Will maintain the quality of service to Motion's Tennessee ratepayers in that no operational changes will take place at the Motion level as the result of the Control Proposal.

(3) Will improve the quality of management of Motion in that Ben Joseph has significant experience in the telecom environment and has successfully grown numerous operating companies (See Exhibit B hereto). Aside from Victor Mitchell, the current CEO, who will leave as part of this Control Proposal, it is contemplated that the remaining officers, managers and employees will, for the most part, be retained.

(4) Will be fair and reasonable to the affected employees of Motion/Advantage in that those who have ESOP interests will become vested upon closing of the Control Proposal transaction, and new leadership of Wireless is focused on growth of the business. There are no union employees.

(5) Will be fair and reasonable to the affected shareholders. The ESOP shareholders' interests will immediately vest at closing at a premium of the value as the other shareholders (3) who have negotiated the transaction.

(6) Will be beneficial to the Tennessee communities in that Motion will continue to provide competitive Services.

(7) Will preserve the jurisdiction of the Authority and the capacity of the Authority to effectively regulate and audit public utility operations in the state of Tennessee in that Motion will remain subject to the Authority's oversight in this Control Proposal.

(8) Will not result in any change in the direct ownership and control of Motion. Motion will still be owned by Advantage, which in turn, will be owned by Wireless and the ESOP. Simplified charts showing the current and new corporate structures are attached hereto as Exhibits E and F, respectively.

**III. DATE OF TRANSFER PURSUANT TO CONTROL PROPOSAL:**

The transfer contemplated by the Control Proposal is expected to close on or before March 10, 2004 or as soon thereafter as practicable. Now is a critical time in the industry to maintain competitive long distance alternatives, and the Applicants believe that the public interest benefits from the expedited approval of this transaction.

**V. CONTACT INFORMATION:**

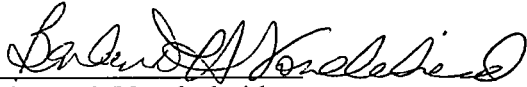
The designated contact information for questions, notices, pleadings and other communications concerning this Application is:

Barbara H. Vonderheid  
Vice President & General Counsel  
Motion Telecom, Inc. and  
Advantage Advisory Service, Inc.  
and Special Counsel to Wireless Channels, Inc.  
7101 South Fulton Street, Suite 200  
Centennial, CO 80112  
Telephone (303) 784-5329  
Fax (303) 784-5367  
Email: [bvonderheid@awipcs.com](mailto:bvonderheid@awipcs.com)

**VI. CONCLUSION:**

WHEREFORE, Motion, Advantage and Wireless respectfully request that the Authority grant any necessary authority for an indirect transfer of control of Motion Telecom, Inc.

Respectfully submitted,



Barbara H. Vonderheid  
Vice President & General Counsel  
Motion Telecom, Inc. and  
Advantage Advisory Service, Inc. and  
Special Counsel to Wireless Channels, Inc.  
7101 South Fulton Street, Suite 200  
Centennial, CO 80112  
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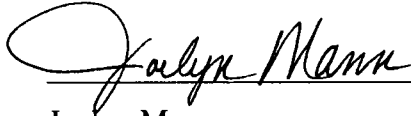
Dated: March 16, 2004

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on this date, a true and correct copy of the above and foregoing with attachments was hand delivered or mailed with proper postage thereon to:

Tennessee Public Utility Authority  
Commonwealth of Tennessee  
Secretaries Bureau  
400 North Street  
Harrisburg, PA 17120

Dated this 16<sup>th</sup> day of March, 2004

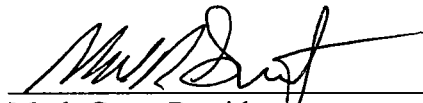
  
\_\_\_\_\_  
Joelyn Mann

**VERIFICATION**

**STATE OF COLORADO**           )  
  )  
**COUNTY OF ARAPAHOE**       )       SS

I, Mark Gritz, hereby declare under penalty of perjury, that I am the President of Motion Telecom, Inc. ("Motion") and Advantage Advisory Service, Inc., d/b/a Advantage Wireless ("Advantage"); that I am authorized to make this verification on behalf of Motion and Advantage; that I have read the foregoing; and that the facts stated therein are true and correct to the best of my knowledge, information and belief.

Dated this 16<sup>th</sup> day of March, 2004

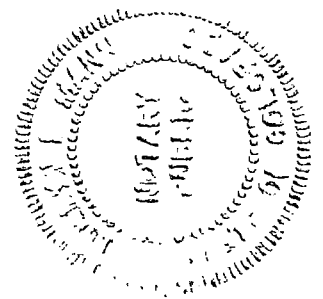


Mark Gritz, President  
Motion Telecom, Inc.  
Advantage Advisory Service, Inc., d/b/a Advantage  
Wireless, Inc.

Sworn to and subscribed before me this 16<sup>th</sup> day of March, 2004

  
Notary Public

My Authority expires December 12, 2004






**VERIFICATION**

**STATE OF COLORADO**           )  
  )  
**COUNTY OF ARAPAHOE**       )       SS

I, Ben Joseph, hereby declare under penalty of perjury, that I am the President of Wireless Channels, Inc. ("Wireless"); that I am authorized to make this verification on behalf of Wireless; that I have read the foregoing; and that the facts stated therein are true and correct to the best of my knowledge, information and belief.

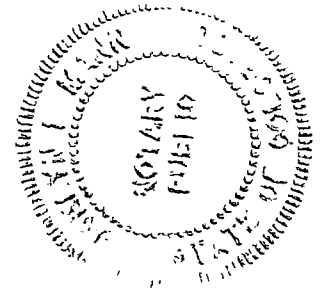
Dated this 16<sup>th</sup> day of March, 2004

  
\_\_\_\_\_  
Ben Joseph, President  
Wireless Channels, Inc.

Sworn to and subscribed before me this 16<sup>th</sup> day of March 2004

  
\_\_\_\_\_  
Notary Public

My Authority expires December 12, 2004



# Delaware

PAGE 1

*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "WIRELESS CHANNELS, INC." AS RECEIVED AND FILED IN THIS OFFICE.

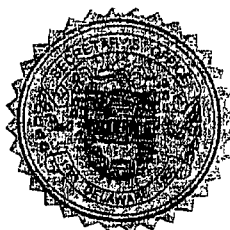
THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF FORMATION, FILED THE SECOND DAY OF FEBRUARY, A.D. 2004, AT 7:34 O'CLOCK P.M.

CERTIFICATE OF CONVERSION, CHANGING ITS NAME FROM "WIRELESS CHANNELS, LLC" TO "WIRELESS CHANNELS, INC.", FILED THE TWENTY-FOURTH DAY OF FEBRUARY, A.D. 2004, AT 2:39 O'CLOCK P.M.

CERTIFICATE OF INCORPORATION, CHANGING ITS NAME FROM "WIRELESS CHANNELS, LLC" TO "WIRELESS CHANNELS, INC.", FILED THE TWENTY-FOURTH DAY OF FEBRUARY, A.D. 2004, AT 2:39 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.



3759858 8100H

040158478

*Harriet Smith Windsor*  
Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2964063

DATE: 03-02-04

CERTIFICATE OF FORMATION

OF

Wireless Channels, LLC

This Certificate of Formation of Wireless Channels, LLC, dated as of February 2, 2004, is being duly executed and filed by I Ben-Joseph, as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del. C 18-101, et seq).

FIRST: The name of the limited liability company formed hereby is Wireless Channels, LLC (the Company ).

SECOND: The address of the registered office of the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, County of Newcastle, Wilmington, DE 19808.

THIRD: The name and address of the registered agent for service of process on the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, County of Newcastle, Wilmington, DE 19808.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of the date first above written.


  
I. Ben-Joseph, Authorized Manager

CERTIFICATE OF CONVERSION  
FROM A LIMITED LIABILITY COMPANY TO  
A CORPORATION PURSUANT TO SECTION 265  
OF THE DELAWARE GENERAL CORPORATION LAW

1. The date on which the limited liability company was first formed is February 2, 2004.
2. The name of the limited liability company immediately prior to filing this Certificate is Wireless Channels, LLC.
3. The name of the corporation as set forth in the Certificate of Incorporation filed in accordance with Section 265(b) is Wireless Channels, Inc.
4. The limited liability company herein being converted is duly organized and existing under the laws of Delaware.

Dated this 22<sup>nd</sup> day of February, 2004.

WIRELESS CHANNELS, LLC

By:   
I. Ben Joseph

State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 02:40 PM 02/24/2004  
FILED 02:39 PM 02/24/2004  
SRV 040131339 - 3759858 FILE

CERTIFICATE OF INCORPORATION

OF

WIRELESS CHANNELS, INC.

I, the undersigned, for the purpose of incorporating and organizing a corporation under the Delaware General Corporation Law do hereby certify as follows:

ARTICLE I

The name of the corporation is Wireless Channels, Inc. (the "Corporation").

ARTICLE II

The address of the registered office of the corporation in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, and the name of the registered agent of the corporation in the State of Delaware at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation.

ARTICLE IV

The name and mailing address of the incorporator is I. Ben Joseph, 1495 Redwood Road, Boulder, Colorado 80304.

ARTICLE V

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is Ten Million (10,000,000) shares, One Million (1,000,000) shares shall be Common Stock, \$.001 par value, and Nine Million (9,000,000) shares shall be Preferred Stock, \$.001 par value.

B. The Board of Directors of the Corporation may issue Preferred Stock from time to time in one or more series. The Board of Directors of the Corporation is hereby authorized to adopt a resolution or resolutions from time to time, within the limitations and restrictions stated in this Certificate of Incorporation, to fix or alter the voting powers, designations, preferences, rights, qualifications, limitations and restrictions of any wholly unissued class of Preferred Stock, or any wholly unissued series of any such class, and the number of shares constituting any such series and the designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 02:40 PM 02/24/2004  
FILED 02:39 PM 02/24/2004  
SRV 040131339 - 3759858 FILE

## ARTICLE VI

The Corporation shall indemnify its officers and directors, and shall provide for advancement of the expenses of such persons, to the fullest extent provided by Section 145 of the Delaware General Corporation Law. To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) agents of the Corporation (and any other persons to which State law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents, vote of stockholder or permitted by Section 145 of the Delaware General Corporation Law subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions of a breach of duty to the Corporation, its stockholders and others. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Any amendment, repeal or modification of the foregoing provisions of this Article VI by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification, or increase the liability of any director or officer of the Corporation with respect to any acts or omissions of such director or officer occurring prior to such amendment, repeal or modification.

## ARTICLE VII

The powers of the incorporator shall terminate upon the filing of this Certificate of Incorporation, and I. Ben Joseph shall thereupon serve as the director of the Corporation until the first annual meeting of stockholders or until his successors are duly elected and qualified.

## ARTICLE VIII

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

## ARTICLE IX

Election of directors need not be by written ballot unless the Bylaws of the Corporation so provide.

## ARTICLE X

The Corporation expressly elects not to be governed by Section 203 of the Delaware General Corporation Law.

## ARTICLE XI

A director or any officer of the Corporation shall be not be personally liable to the Corporation or its stockholders for the breach of any duty owed to the Corporation or its

stockholders except to the extent that an exemption from personal liability is not permitted by the Delaware Corporation Law.

#### ARTICLE XII


Except as otherwise provided in this Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend, repeal and rescind the Bylaws of the Corporation.

#### ARTICLE XIII

Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation or in the Bylaws of the Corporation.

\* \* \* \* \*

IN WITNESS WHEREOF, I, the undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, and do hereby certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 22<sup>nd</sup> day of February, 2004.

  
I. Ben Joseph, Incorporator

## Exhibit E

### I. Ben Joseph short summary of business career

- Education: BSc Electronic Engineering.
- 1973-1976: Motorola Israel- System Engineering
- 1976-1978: Motorola Israel- Sales Manager - Special Markets
- 1978-1981: Motorola Israel- National Sales Manager - Local and export markets.
- 1981-1984: Motorola Australia: National Sales Manager - Indirect distribution and RCC markets
- 1984-1990 Established Instapage Communications, a wide area paging network carrier in Melbourne and Sydney, Australia Grew the company to become the second largest paging carrier in Australia. Developed large indirect distribution channels to distribute network services, pagers, cell phones and value added services
- Sold the business to Atlanta based Bell South.
- 1990 -1995 Established and funded Visiplex Communications in Australia and the US. Visiplex manufactured and distributed communication systems to the Healthcare market. Developed a dealer network in the US and Southeast Asia. Acquired through a management buyout, a division of Agfa specializing in medical imaging print, display and communication (Teleradiology).
- Sold the Australian business to Retrovision LTD, an Australian public company
- Sold the US company to AFP imaging
- 1995 -2003: Established Callconnect Communications funded by myself and several VC'S. Acquired a variety of companies specializing in outsourcing patient contact centers from hospitals and large employers.
- Sold the business to Workscape, Inc. in August 2003.

In all the companies I have established I served in the position of Chairman and CEO



## EXHIBIT C

## WIRELESS CHANNELS, INC. OWNERSHIP SUMMARY

Purchaser	Shares of Series A Preferred Stock	Percentage Ownership
ABI, LLC 1495 Redwood Avenue Boulder, CO 80304	466,500	11.26 %
L. Ben Joseph 1495 Redwood Avenue Boulder, CO 80304	300,000	7.24 %
Coral Technology Partners VI, Limited Partnership 60 South Sixth Street Suite 3510 Minneapolis, MN 55402	1,125,000	27.16 %
Enhanced Colorado Issuer, LLC 6501 S. Fiddler's Green Circle Suite 300 Greenwood Village, CO 80111	625,000	15.09 %
Andrew M. Paul 283 Pondfield Road Bronxville, NY 10708	1,125,000	27.16 %
Pilot Butte Company 1450 U.S. Trust Building 730 South Avenue South Minneapolis, MN 55402	250,000	6.04 %
Price Family Limited Partnership c/o Evercore Partners 65 East 55 <sup>th</sup> Street New York, NY 10022	250,000	6.04 %
Total:	4,141,500	100 %

## EXHIBIT D

Schedule IF

## ADVANTAGE WIRELESS

Combining Statement of Operations

December 31, 03-07 projections

ACCT #		12/31/2003 Actual	Total 12/31/2004 Projected	Total 12/31/2005 Projected
	Revenues			
400	Activation revenues	\$ 17,199,542	18,403,510	19,323,685
420	Equipment sales	30,153,968	32,264,746	33,877,983
	Long Distance Revenue	9,066,791	7,200,000	7,200,000
450	Other revenues	1,866,502	1,722,157	1,808,265
	Interest Income	103,134	110,353	115,871
	Total revenues	58,389,937	59,700,766	62,325,805
	Cost of Sales			
500	Cost of activation revenues	14,292,953	14,170,703	14,879,238
550	Cost of equipment sales	28,045,555	29,844,890	31,337,134
	Cost of Long Distance Sales	6,460,664	5,184,000	5,184,000
	Total Cost of Sales	48,799,172	49,199,592	51,400,372
	Other operating costs			
600	Auto	2,448		
605	Comp Maint	64,466	67,689	71,074
610	Educ & Training	5,682	5,966	6,264
615	Empl Functions	31,376	32,945	34,592
620	Leased Equip	24,089	25,293	26,558
625	Maint	33,333	35,000	36,750
630	Memberships	9,619	10,100	10,605
635	Milage	234	246	258
640	Postage	53,256	55,919	58,715
645	Relocation	271	285	299
650	Rent	392,774	412,413	433,033
655	Recruit	15,422	16,193	17,003
660	Travel	58,794	61,734	64,820
665	Utilities	28,824	30,265	31,778
	Total Other operating costs	720,588	754,047	791,749
	Salary expense			
700	Officers Salary	390,404	659,924	692,920
705	Accounting Salaries	521,619	587,700	617,085
710	Administrative/IT Salaries	153,346	201,013	211,064
	IT Salaries	253,714	306,400	321,720
715	Inventory Salaries	357,214	375,075	393,828
720	Outside Sales	114,877	120,621	126,652
723	Legal Salaries	126,651	180,000	189,000
725	Customer Support Payroll	300,348	345,365	362,634
728	Temp Services	46,306	48,621	51,052
733	Overtime	10,502	1,027	1,078
738	Bonus Pay	9,037	9,489	9,963

**ADVANTAGE WIRELESS**  
Combining Statement of Balance Sheet  
12/31/03

ACCT #	Assets	Actual 12/31/2003 Total	Projected 2/28/2004 Balance	After Purchase Projected 3/1/2004 Balance
	Current assets			
100	Cash and cash equivalents **	5,981,222	8,006,222	3,711,222
120	Accounts receivable – trade net of allowance	4,000,495	3,900,495	3,900,495
130	Accounts receivable – other	204,349	204,349	204,349
140	Inventory	2,671,352	2,271,352	2,271,352
150	Other current assets *	290,237	290,237	290,237
	Total current assets	13,147,655	14,672,655	10,377,655
160	Equipment, net of accumulated depreciation of %	652,720	652,720	652,720
	Motion Telecom Customer Purchase	2,668,977	1,768,977	1,768,977
170	Advances to shareholder	204,000	204,000	—
180	Investment in Retail Locations	—	—	—
	Income Taxes Receivable	409,946	409,946	409,946
	Closing Costs Paid	—	—	991,000
190	Notes Receivable	1,033,929	933,929	933,929
	Total assets	18,117,227	18,642,227	15,134,227
	<b>Liabilities and Combined Equity</b>			
	Current liabilities			
200	Accounts payable	2,966,574	2,866,574	2,866,574
210	Accrued commissions payable	1,404,330	1,404,330	1,404,330
220	Other accrued expenses	206,170	206,170	206,170
		—	—	—
230	Closing Costs Payable	—	—	—
240	Intercompany Transfers	—	—	462,000
	Other liabilities	—	—	—
	Deferred Revenue	3,701	3,701	3,701
260	Deferred income taxes	90,696	90,696	90,696
	Total current liabilities	4,671,471	4,571,471	5,033,471
270	Notes Payable - ESOP	5,985,000	5,670,000	—
	Notes Payable - 1st Natl Bank	—	—	10,000,000
	Combined equity			
	Common stock, no par value	—	—	—
300	Stock	37,000	37,000	37,000
	Investment from Newco	—	—	—
	Investment from Newco 2	—	—	—
	Distribution - Purchase of Mitchell Stock - Purchase of Stock	—	—	(8,300,000)
	Distribution - Purchase of ESOP	—	—	—
	Treasury Stock	—	—	(2,400,000)
	APIC	—	—	(2,846,398)
	Accumulated other comprehensive loss	—	—	—
310	Prior Year Retained Earnings	12,012,136	12,985,154	12,985,154
320	Unearned ESOP Shares	(5,561,398)	(5,246,398)	—
390	Retained earnings	973,018	625,000	625,000
	Total combined equity	7,460,756	8,400,756	100,756
	Commitments and contingencies (see note 7)			
	Total liabilities and combined equity	18,117,227	18,642,227	15,134,227

743	Payroll Services	417,542	458,419	481,340	Schedule II
	Total Salary Exp	<u>2,701,560</u>	<u>3,295,654</u>	<u>3,458,337</u>	
770	Legal Fees	214,410	100,000	100,000	
775	Audit Fees	29,893	50,000	50,000	
780	Professional Fees	<u>264,180</u>	<u>150,000</u>	<u>150,000</u>	
	Total Legal & professional	508,483	300,000	300,000	
	Selling general and administrative				
800	Accounting	1,831	1,923	2,019	
805	Advertising Other	109,966	115,464	121,238	
810	Bad Debts	142,650	149,783	157,272	
815	Bank Chgs	41,141	43,198	45,358	
820	Bank Card Fees	239,430	251,402	263,972	
825	Business Ins	64,366	67,584	70,964	
830	Corp Business Meals	4,411	4,632	4,863	
835	Charity	15,500	16,275	17,089	
840	Credit Costs	1,106	1,161	1,219	
845	Health Ins	347,665	365,048	383,301	
850	Internet Chgs	15,942	16,739	17,576	
855	Marketing	15,634	16,416	17,236	
860	Office Supplies	51,169	53,727	56,414	
865	Taxes & Licenses	99,022	103,973	109,172	
870	Telephone-cell	6,105	6,410	6,731	
875	Telephone-Reg	61,151	64,209	67,419	
880	Telephone - Long Dist	50,080	52,584	55,213	
885	Misc	<u>16,588</u>	<u>17,417</u>	<u>18,288</u>	
	Total Selling Gen & Admin	1,283,757	1,347,945	1,415,342	
	Total operating expenses	<u>54,013,560</u>	<u>54,895,239</u>	<u>57,365,801</u>	
	Operating income EBITDA	4,376,377	4,805,527	4,960,004	
	Other Expense				
	Shareholder Compensation				
785	Shareholder Salary	400,000	—	—	
795	Officer Other	<u>255</u>	<u>—</u>	<u>—</u>	
	Total Shareholder Comp	400,255	—	—	
900	Depreciation expense	257,105	400,000	400,000	
	Loss on Disposal of Assets	135,448	—	—	
910	Amortization	180,952	29,000	29,000	
940	ESOP Contributions	1,890,000	315,000	—	
960	Interest expense	<u>295,234</u>	<u>360,000</u>	<u>350,000</u>	
	Total other expenses	<u>3,158,994</u>	<u>1,104,000</u>	<u>779,000</u>	
	Income before provision for income taxes	1,217,383	3,701,527	4,181,004	
990	Provision for income taxes	<u>244,365</u>	<u>1,517,626</u>	<u>1,714,212</u>	
	Net income	<u>\$ 973,018</u>	<u>2,183,901</u>	<u>2,466,792</u>	

## INCOME STATEMENT

MOTION TELECOM INC

FOR THE 12 PERIODS ENDED DECEMBER 31, 20

## EXHIBIT D-1

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	PERCENT	ACTUAL	PERCENT
Revenue				
Switched Voice Revenue	\$392,718 87	54 7 %	4,421,288 18	48 8
Switched Dedicated Revenue	138,609 29	19 3	2,118,393 57	23 4
Private Line Revenue	179,244 08	25 0	2,437,575 27	26 9
Teleconferencing Revenue	4,905 03	7	29,707 09	3
Finance Charges	2 084 15	3	59,826 54	7
TOTAL Revenue	717,561 42	100 0	9,066,790 65	100 0
Cost of Sales				
Cost of Goods - Switched	310,642 62	43 3	3,476,084 39	38 3
Cost of Goods - Dedicated	96,890 12	13 5	1,228,223 74	13 5
Cost of Goods - Private Line	126,722 98	17 7	1,489,069 45	16 4
Cost of Goods Teleconferencing	1,790 70	2	16,608 49	2
Customer Refunds	753 74	1	13,507 60	1
Discounts Taken	(68,583 11)	(9 6)	(466,497 26)	(5 1)
TOTAL Cost of Sales	468,217 05	65 3	5,756,996 41	63 5
Gross Profit	249,344 37	34 7	3,309,794 24	36 5
Expenses				
Operating Expense				
Commission Expense - Agents	51,408 15	7 2	463,277 16	5 1
Billing Service	16,534 01	2 3	179,304 43	2 0
Lockbox Expense	00	0	10,160 55	1
Credit Service	544 10	1	1,896 70	0
Bad Debt Expense	(77 05)	0	49,029 21	5
TOTAL Operating Expense	68,409 21	9 5	703,668 05	7 8
General & Administrative Expens				
Managers Salary	13,750 00	1 9	88 750 00	1 0
Accounting Salaries	13,504 16	1 9	206,230 33	2 3
Administrative Salaries	6,777 34	9	43,969 10	5
IT Salaries	27,101 08	3 8	253,713 62	2 8
Customer Support Salaries	13,320 18	1 9	121,423 77	1 3
Overtime	295 62	0	9,305 71	1
Medical Insurance	6,751 52	9	44,707 33	5
Temporary Services	6,395 09	9	14,633 89	2
Advertising Expense	4,007 08	6	55,862 96	6
Bank Charges	55 00	0	4,533 71	1
Credit Card Fees	4,182 26	6	17,525 66	2
Computer/Software Maintenance	8,054 00	1.1	57,014 71	6
Internet Hosting	35 00	0	70 00	0
Dues and Membership Fees	00	.0	2,500 00	0
Internet Charges	00	0	35 00	0
Legal Fees	(12,140 19)	(1 7)	57,805 38	6
Marketing/PR	00	0	6,055 34	1

## INCOME STATEMENT

MOTION PICTURE COMING

FOR THE 12 PERIODS ENDED DECEMBER 31, 200

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	PERCENT	ACTUAL	PERCENT
General & Administrative Expens	(Continued)			
Professional Fees	\$ 00	0 %	33,985 51	4
Office Supplies	752 35	1	6,873 64	1
Payroll Service Fees	9,441 83	1 3	91,619 29	1 0
Postage and Freight	00	0	6,586 67	1
Rent Expense	2,800 00	4	43,668 48	5
Regulatory Expense	00	0	5,664 49	1
Tax and License Fees	3,230 11	5	77,158 64	9
Telephone Expense-Fax	27 00	0	568 64	0
Telephone Exp-Cell Phones	57 60	0	505 67	0
Telephone-Long Distance	4,738 71	7	23,767 66	3
Telephone Expense-Regular	198 43	0	10,599 65	1
Travel and Entertainment	652 12	1	5,494 39	1
Miscellaneous Expense	00	0	1,873 00	0
TOTAL General & Administrative	113,986 29	15 9	1,292,502 24	14 3
TOTAL Expenses	182,395 50	25 4	1,996,170 29	22 0
Net Income from Operations	66,948 87	9 3	1,313,623 95	14 5
Other Income & Expenses				
Interest Income	706 22	1	5,068 20	1
Other Income	13,976 38	1 9	13,976 38	2
Depreciation Expense	(46,813 03)	(6 5)	(46,813 03)	( 5)
Amortization	(139,028 69)	(19 4)	(139,028 69)	(1 5)
TOTAL Other Income & Expenses	(171,159 12)	(23 9)	(166,797 14)	(1 8)
Earnings before Income Tax	(104,210 25)	(14 5)	1,146,826 81	12 6
Net Income (Loss)	\$(104,210 25)	(14 5)%	1,146,826 81	12 6

## BALANCE SHEET

MOTION PICTURE COMIN

DECEMBER 31, 200

## Assets

## Current Assets

First Natl - Operations Acct	\$4,380 42
First National - Dreyfus	906,477 24
Cash - Wells Fargo	89,865 79
Accounts Rec - Main	5,867 28
A/R - Billing System	437,417 81
A/R Unbilled	345,539 00
Allow for Doubtful Accounts	(40,000 00)
Security Deposits	110 62
Prepaid Expenses	15,168 28

TOTAL Current Assets

1,764,826 44

## Fixed Assets

Furniture and Equipment	240,571 51
Accum Dep-Furniture	(36,103 02)
Computers	45,281 27
Accum Dep-Computers	(10,710 01)
Leasehold Improvements	82,159 55
Accum Amort Leasehold Imp	(11,206 51)
Customer Accounts Purchase	2,796,799 78
Accum Amort - Customer Accts	(127,822 18)

TOTAL Fixed Assets

2,978,970 39

TOTAL Assets

\$4,743,796 83

## BALANCE SHEET

DECEMBER 31, 200

## Liabilities AND Equity

## Current Liabilities

Accounts Payable-Vendors	\$769,570 48	
Accounts Payable-Agents	(28,559 22)	
Accrued Commissions Payable	49,779 95	
Accrued Payroll	42,035 19	
Sales Tax Payable - Federal	151,380 85	
Sales Tax Payable - State	29,663 57	
Sales Tax Payable - County	1,445 79	
Sales Tax Payable - City	15,294 09	
Sales Tax Payable - Other	21 92	
TOTAL Current Liabilities		1,030,632 62

## Long-Term Liabilities

Due to AAS	2,471,939 58	
Due to AWI	1,366 46	
Customer Deposits	400 00	
Deferred Revenue	90,696 36	
Def Rev - Prepaid Cards	1,935 00	
TOTAL Long-Term Liabilities		2,566,337 40

## TOTAL Liabilities

3,596,970 02

## Equity

RETAINED EARNINGS - PRIOR	00	
Retained Earnings-Current Year	1,146,826 81	
TOTAL Equity		1,146,826 81

## TOTAL Liabilities AND Equity

\$4,743,796 83



Exhibit E

**Organization & Ownership  
February 19, 2004**

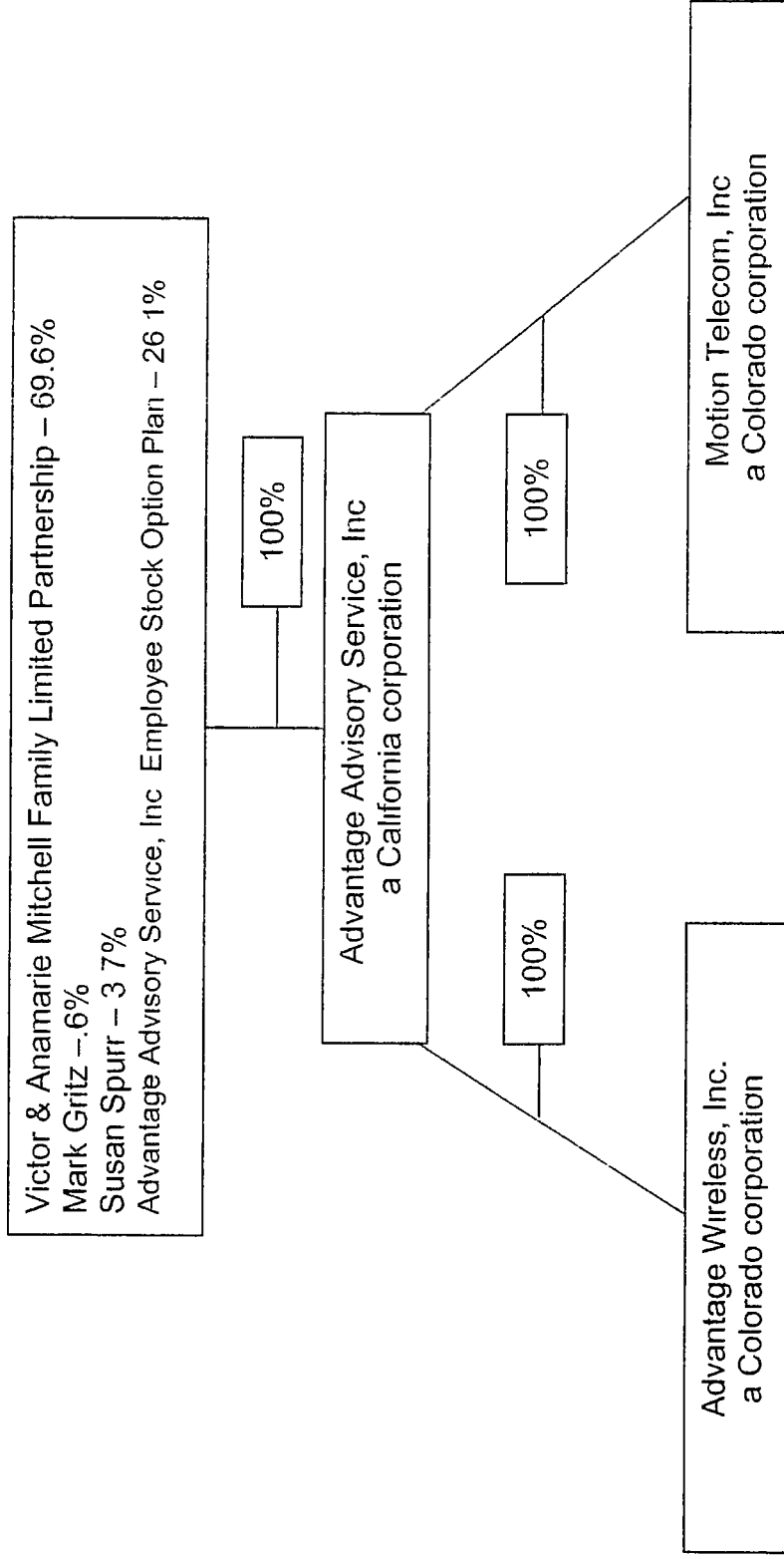


Exhibit F

**Organization & Ownership  
Post-Stock Transfer (Circa March, 2004)**

